



## **Integrating environmental impacts into cost-benefit analysis: The value of environmental pollutants**

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**Title:** Integrating environmental impacts into cost-benefit analysis- The value of environmental pollutants

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Sustainable Development Goals (SDGs) have raised the attention of the global society to apply environmental friendly solutions to solve problems. Cost Benefit Analysis (CBA) has been broadly used in different contexts and disciplines to facilitate decision makers in choosing among alternatives. CBA assumes that for each alternative there is a set of consequences, divided between costs and benefits that can be expressed in monetary terms. The preferred alternative is the one with the higher benefit cost ratio or Net Present Value (NPV). The considered consequences vary depending on the decision context. For example, the consequences that are covered in conventional transport projects include, among others, financial costs, travel time savings, variation in distance traveled, and the so called externalities, including number of accidents, noise impacts and some air pollutants (e.g. CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub>, CO and HC from fuel consumption). With respect to the air pollutants, monetary values are provided by CBA guidelines for transport as well as for other disciplines. However, CBA overlooks the full life cycle of infrastructures and vehicles, and the full set of environmental impacts, due to the lack of methodology to quantify the comprehensive impacts and the lack of monetary values of those impacts.

Life Cycle Assessment (LCA) is a robust methodology that assesses environmental profiles of products and services through their whole life cycles. For a given solution to a decision problem, LCA can quantify environmental pollutants and resource consumptions that are associated with the physical elements in the solution (e.g. infrastructures and vehicles). Note that LCA provides an inventory that covers a comprehensive list of pollutants and resource consumptions, which can also be translated into damages on the protected area, namely ecosystem health, human health and resources availability, via life cycle impact assessment (LCIA). This gives possibilities of monetizing environmental impacts either on the inventory level, or on the damage level. Nevertheless, the monetizing values of different pollutants and resources should be consistent with the damages (and thus the monetizing values of the damages) that they may cause on the protected area.

This research aims to 1) investigate the monetary values of environmental pollutants in the chosen application disciplines; 2) understand if those values are consistent with the monetized damages calculated by LCA methods and; 3) compare CBA with and without LCA, considering the uncertainty, using a transport case study.

Our study shows that the monetized damages calculated by LCA methods lie within the range of values reviewed in transport and waste treatment studies. The variation of pollutant prices can vary up to 2-3 orders of magnitude depending on the chosen methodology. The results from the transport case study show that including the monetized LCA result in the traditional CBA doubles the NPV. This suggests that the price assigned to particularly CO<sub>2</sub> can change the NPV dramatically, which can influence the decision when more options are available. In sum, integrating monetized LCA results into current CBA is a feasible way of including environmental impacts in decision making, increasing the environmental relevance of the decision support.